

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory & Compliance Division  
Telecommunications Branch

RESOLUTION T-14283  
February 21, 1991

**R E S O L U T I O N**

RESOLUTION T-14283. RESOLUTION ESTABLISHING AN ANNUAL BUDGET FOR THE YEAR 1991 TO PROVIDE FOR DEAF AND DISABLED TELECOMMUNICATIONS EQUIPMENT AND SERVICE PROGRAMS (PU CODE SECTION 2881 AND FOLLOWING) PURSUANT TO DECISION 89-05-060.

BY COMPLIANCE FILING MADE BY THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE DATED NOVEMBER 1, 1990, PER DECISION 89-05-060 (INVESTIGATION 87-11-031).

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**SUMMARY**

By this Resolution, the Commission adopts an annual budget of \$31,857,150 for the year 1991 to provide for deaf and disabled telecommunications equipment and service programs, pursuant to Section 2881 and following of the Public Utilities Code.

Decision (D.) 89-05-060, issued on May 26, 1989 as the result of Investigation (I.) 87-11-031, established the Commission review process for the proposed annual budget submitted by the Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC). The DDTPAC submitted its 1991 proposed budget to the Commission on November 1, 1990; copies were served to all interested parties in I.87-11-031 on the same date. Comments were received from the Commission's Division of Ratepayer Advocates (DRA) on November 27, 1990. Reply comments to DRA's comments were filed by GTE California, Inc. (GTEC), AT&T Communications of California, Inc. (AT&T), DDTPAC and the California Association of the Deaf on December 11, 1990, and by Pacific Bell (PacBell) on December 12, 1990.

We reduce the budget as submitted by the DDTPAC. With this authorization, we are imposing limits on expenses to be incurred by each authorized program. The DDTPAC and the operating companies are ordered to continue efforts to control program costs and improve program efficiencies.

BACKGROUND

Through state legislation, the Commission has implemented three main telecommunications programs to meet the needs of deaf, severely hearing-impaired and disabled California residents:

- o Telecommunications Devices for the Deaf (TDD) distribution initiated by Senate Bill 597 (Chapter 1142, 1979);
- o A Dual Party Relay system to connect deaf or severely hearing-impaired persons with persons of normal hearing initiated by Senate Bill 244 (Chapter 741, 1983);
- o Supplemental Telecommunications Equipment for the disabled initiated by Senate Bill 60 (Chapter 585, 1985).

In D.89-05-060, we discussed the issue of an appropriate review process of the Deaf and Disabled Telecommunications Program annual budget. Participants in I.87-11-031 recommended a process for filing and review by resolution of proposed annual budgets submitted by the DDTPAC. In Ordering Paragraph 12 of the Decision, we ordered that until we adopt a final budget approval process, annual budgets from the DDTPAC would be approved by resolution according to the schedule described in the discussion of the Decision.

On November 1, 1990, the DDTPAC filed its proposed annual budget for the year 1991; copies of the proposed budget were sent to all interested parties to I.87-11-031 on the same date. A copy of the DDTPAC's proposed annual budget is attached as Appendix A to this Resolution.

Comments on DDTPAC's proposed budget were received from DRA on November 27, 1990. Reply comments to DRA's comments were filed by GTEC, AT&T, DDTPAC and the California Association of the Deaf on December 11, 1990, and by PacBell on December 12, 1990.

DISCUSSION

The DDTPAC derives its budget from the estimates submitted to it by the participating utilities of each program. A comparison between DDTPAC and DRA's 1991 D.E.A.F. Trust budget proposals are shown in the following table. DDTPAC's submitted budget reflects a reduction of \$567,104 from the utilities' recommendations.

Program	DDTPAC	DRA	DDTPAC exceeds DRA
SB597	\$ 4,880,927	\$ 4,499,867	\$ 381,060
SB244	19,858,907	19,257,974	600,933
SB60	7,618,602	6,845,410	773,192
Admin	505,820	500,820	5,000
Total	\$32,864,256	\$31,104,071	\$1,760,185

In Resolution T-14058, dated April 11, 1990, we approved a 1990 budget for the Deaf and Disabled Telecommunications Program of \$31,684,701. The actual/estimated<sup>1</sup> 1990 expenses projected by the DDTPAC are \$30,085,144. DDTPAC's proposed 1991 budget represents an increase of 9.2% over the actual/estimated 1990 expenses.

Disagreement between DRA and other responding parties exists over projections of program growth or demand. DRA is concerned over the manner in which the budget is prepared by the utilities, in particular PacBell and GTEC for their submittals to the DDTPAC for review. DRA feels that the utilities' method of using six months of actual and six months of estimated data to create year-end projections as a basis for the next year's budget is unrealistic. DRA believes that this method inflates program budget needs.

DRA recommends using the previous fiscal year's actual expense data to prepare the next calendar year's budget, and that a growth factor can be determined from trending equipment distribution patterns and can be added to actual expenses if equipment distribution is properly tracked.

PacBell responded to DRA's criticism by stating that at the time it submitted its proposed budget in August to the DDTPAC for review, it only had six months of actual data available. It did, however, state that it would not object to DRA's suggestion of using the previous fiscal years' actual expense data to project the following calendar year's budget, provided that:

"the growth factor is realistic and provided additional factors are added to reflect contingencies and any anticipated events for the budget year that did not occur in the previous 12 months."

GTEC responded to DRA's observation as being incorrect. GTEC claims that it created its 1991 budget by evaluating current operating activities as well as anticipated increases in such activities, not solely on year-end projections. GTEC believes that:

"1990 year-end projections are useful as a tool to evaluate the reasonableness of the proposed 1991 budget, but cannot in and of themselves give an accurate estimate for 1991."

GTEC assures that this method was not used to determine an accurate figure to be used for the 1991 budget, only to give a reasonable figure to report to the DDTPAC. DDTPAC can then formulate its recommendations based on this "reasonable" figure. Furthermore, GTEC criticizes DRA's recommended method because it:

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1 At the time the DDTPAC submits its budget to the Commission, the utilities only have six months of actual data available.

"does not take into consideration unusual or one time expenses incurred in the current year but not expected to recur in the following year, nor expenses incurred in the current year which will be paid for in the budgeted year, nor expenses which may have been deferred to later in the current year."

This is the second year in which this budget approval process has been employed per D.89-05-060. DRA's suggestion that the utilities use the previous fiscal year's actual expense data plus a growth factor to prepare the next calendar year's budget has merit. Since the DDTPAC has to submit its report to the Commission in November, the utilities will have one 12-month period of actual expense data in which to formulate its budget.

We recommend that utilities use the previous fiscal year's data to project their expenses for the next year. We leave it to the utilities' discretion which "growth factor" to use as long as it is substantiated. We also leave it to the utilities to use their best judgement in including or removing from the base years and also from their projected budget one-time or unusual expenses to reflect a more accurate estimate.

We are clarifying that the fiscal year will be defined as the State of California's fiscal year, July 1 of the previous year to June 30 of the current year. This would give utilities and DDTPAC three months to prepare and present its proposed budget to the Commission.

We agree with GTEC in its observation that there is no accurate method in projecting actual expenses for the future year, but we believe the method adopted herein can present a reasonable estimate. This is not to say that these will be the final numbers approved for the budget, only that it will provide a good starting point for discussion between DDTPAC and the utilities.

Another issue we wish to address is the way TDDs are purchased by the primary telephone representatives of the SB 597 program, PacBell, GTEC and California Telephone Association (CTA). We are aware that PacBell and GTEC are entitled to purchase their TDDs at bulk rates, which are much lower than the rates offered to CTA. The DDTPAC and DRA both recommend that CTA should have PacBell or GTE purchase their TDDs for them to take advantage of the lower rates. We agree with this concept and recommend CTA and PacBell or GTEC to perform the necessary contractual agreements to perform this function.

We are concerned about these matters. Much effort and expense has gone into establishing the Administrative and Advisory Committees, and capable people have volunteered to serve. We had anticipated interest and assistance from the many utility and community representatives serving on the Committees in order to make the services and equipment provided subscribers through the programs more cost-effective and affordable to the ratepayers.

To continue the programs in effect without drastic changes we will adopt a reduced budget closer to that submitted by the DRA. We reduce the proposed budget submitted by the DDTPAC by the amount of \$1,007,106: \$753,059 of which was one-half the difference between the amount proposed by the DDTPAC and DRA; and \$254,047 of which was agreed upon by the utilities and DRA due to the elimination of Touchtone rates ordered by the Commission per D.90-11-058 on November 21, 1990.

We reiterate that the program budget should be regarded as a guide to determine the surcharge level and as a guide for policy decisions by the DDTPAC and the Commission. The budget will serve as a spending cap, but budgeted items should not be viewed as spending levels which must be reached. We urge the DDTPAC and operating companies to continue efforts to control program costs and improve efficiencies.

#### FINDINGS

1. The proposed 1991 year annual budget of \$32,864,256 submitted by the DDTPAC (Appendix A) is reduced to \$31,857,150.
2. The authorized budget serves as a spending cap and not a requirement to spend at that level.
3. Using the previous fiscal year's data with a substantiated growth factor to project a budget for the next year will provide a reasonable method to obtain future projections.
4. In employing this method, it should be left to the utilities to use their best judgement in including or removing one-time or unusual expenses from the base year and also from their projected budget to reflect a more accurate estimate.
5. These projections need not be the final budget but will provide a good starting point for discussion between DDTPAC and the utilities in future years.
6. PacBell and GTEC, the two major local exchange carriers responsible for the purchase and distribution of TDDs, purchase TDDs at bulk rates, which are much lower than those rates offered to CTA.
7. The DDTPAC and operating utilities should continue their efforts in controlling and improving program costs and efficiencies.

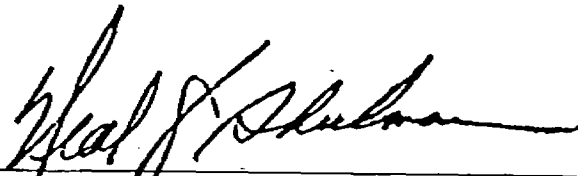
#### THEREFORE, IT IS ORDERED that:

1. The 1991 annual budget of \$31,857,150 is adopted for the Deaf and Disabled Telecommunications Programs.
2. The authorized budget shall serve as a spending cap and not a requirement to spend at that level.

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3. Utilities shall use the previous fiscal year's data and substantiated growth factors to project their future expenses. In employing this method, utilities shall use their best judgement in including or removing from the base years and also from their projected budget one-time or unusual expenses to reflect a more accurate estimate.
4. PacBell or GTEC shall enter into an agreement with CTA to purchase their TDDs for them.
5. The DDTPAC and operating utilities shall continue their efforts to control program costs and improve program efficiencies.
6. The Executive Director shall provide a copy of this Resolution to the interested parties in our Investigation 87-11-031.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 21, 1991. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

PATRICIA M. ECKERT  
President  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

I abstain.  
DANIEL WM. FESSLER  
Commissioner

I abstain.  
NORMAN D. SHUMWAY  
Commissioner

APPENDIX A - Resolution T-14283

Proposed 1991 Deaf and Disabled Telecommunications Program  
Budget

November 1, 1990

1991  
DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM  
BUDGET COMPARISON CHART

	<u>1991 BUDGET AS SUBMITTED BY TELCO'S</u>	<u>1991 BUDGET AFTER ODT PAC RECOMMENDATIONS</u>	<u>DIFF.</u>
<u>SB 597</u>			
PAC BELL	3,502,410	3,341,163	161,242
GTE	1,347,265	1,313,737	33,523
CTA	182,533	182,533	0
INDEP	43,489	43,489	0
TOTAL SB 597	<u>5,075,697</u>	<u>4,380,927</u>	<u>194,770</u>
<u>SB 244</u>			
AT&T	19,972,962	19,858,907	114,055
TOTAL SB 244	<u>19,972,962</u>	<u>19,858,907</u>	<u>114,055</u>
<u>SB 60</u>			
PAC BELL	5,162,309	4,938,091	224,218
GTE	2,288,363	2,254,302	34,061
CTA	301,002	301,002	0
INDEP	125,207	125,207	0
TOTAL SB 60	<u>7,876,881</u>	<u>7,618,602</u>	<u>258,279</u>
<b>TOTAL TELCO EXPENSE — 1991</b>	<u><u>32,925,540</u></u>	<u><u>32,358,436</u></u>	<u><u>567,104</u></u>